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Bowes
TRADE MARK
Company Limited

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Seventy-Fourth
ANNUAL REPORT
December 1966





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DIRECTORS

*Aubrey W. Baillie
Thomas H. Bowes
Thomas G. Drew-Brook
Bremner B. Green
Alex Petrie
George E. Sweet
James W. Walker, Q.C.*

OFFICERS

*Aubrey W. Baillie — President
Bremner B. Green — Vice-President
Stanley L. Meek, C.A. — Secretary-Treasurer*

AUDITORS

Clarkson, Gordon and Co.

COUNSEL

McCarthy and McCarthy

TRANSFER AGENT

National Trust Company, Limited

To the Shareholders:

YOUR Directors are pleased to submit the 1966 Annual Report of Bowes Company Limited including the consolidated financial statements of the Company and its subsidiary companies for the year ended December 31, 1966. The financial statements have been prepared in comparative form with the corresponding figures for the year ended December 31, 1965. In addition a five year financial record of the Company is included in this report.

Consolidated net profit for the year after provision for income taxes amounted to \$653,805 compared with a net profit of \$642,810 in 1965. After payment of preferred share dividend this represents \$1.08 per common share in 1966 compared with \$1.06 per share in 1965. In addition a special non-recurring dividend of \$40,320 was received from an affiliated company in 1966. In the opinion of your Directors, your Company had a satisfactory year considering the major capital expenditure program that was undertaken.

Consolidated cash flow amounted to \$948,378 in 1966 as compared with \$910,501 in 1965. The Company's working capital decreased \$77,973 to \$3,434,455 due, in part, to fixed asset expenditures of \$805,374, the highest in the Company's history. The major capital expenditures have now been completed and we anticipate that during the current year they will be approximately \$450,000.

During 1966, 137,616 preferred shares were redeemed at par, leaving 137,640 of these shares outstanding at the end of the year. At a meeting of the Directors held March 2, 1967, a resolution was passed to redeem the balance of the outstanding preferred shares, which redemption was made on March 23, 1967, to holders of record March 13, 1967.

Dividends to common shareholders, totaling \$0.30 per share were paid in 1966 which provided shareholders with the same return as in the past several years. At a meeting of the Directors held April 10, 1967, a dividend of \$0.20 per share was declared on the common shares payable on or after May 26, 1967 to holders of record at the close of business on May 11, 1967.

Mr. G. E. Sweet retired as Secretary-Treasurer of the Company in 1966 after 48 years of service but has consented to remain a member of the Board of Directors. We wish to record our sincere appreciation and thanks to him for his loyal and enthusiastic service to the Company during his long career.

It is a pleasure to advise that during the year, Mr. Bremner B. Green was appointed Vice-President and elected to the Board of Directors of Bowes Company Ltd.

Your Directors express their appreciation to the employees of all the companies for their continued loyalty and efficiency during the year.

The report of the auditors of your Company, Messrs. Clarkson, Gordon & Co., on the consolidated statements is respectfully submitted herewith.

ON BEHALF OF THE BOARD

Aub Baillie
President

BOWES COMPANY, LIMITED
and its subsidiary companies

STATEMENTS OF CONSOLIDATED INCOME AND RETAINED EARNINGS

for the year ended December 31, 1966
(with comparative figures for 1965)

INCOME

	<u>1966</u>	<u>1965</u>
Sales and commissions earned	\$23,861,905	\$23,825,000
Operating profit for the year before the following	<u>\$ 1,693,913</u>	<u>\$ 1,614,843</u>
Add income from investments	28,450	32,029
	<u>1,722,363</u>	<u>1,646,872</u>
Deduct:		
Depreciation	294,573	257,671
Directors' remuneration	79,985	65,391
	<u>374,558</u>	<u>323,062</u>
Profit before income taxes	1,347,805	1,323,810
Income taxes	694,000	681,000
	<u>\$ 653,805</u>	<u>\$ 642,810</u>
Consolidated net profit for the year	40,320	
Add special dividend from affiliated company		
Balance transferred to retained earnings	<u>694,125</u>	<u>642,810</u>

RETAINED EARNINGS

Balance, beginning of year	\$ 5,845,336	\$ 5,387,182
Add balance transferred from income statement	694,125	642,810
	<u>6,539,461</u>	<u>6,029,992</u>
Deduct:		
Dividend paid on preferred shares	1,376	2,753
Dividends paid on common shares	181,510	181,510
Premium and tax paid on redemption of preferred shares held by minority shareholders of a subsidiary company		393
	<u>182,886</u>	<u>184,656</u>
Balance, end of year	<u>\$ 6,356,575</u>	<u>\$ 5,845,336</u>

See accompanying notes to the consolidated financial statements

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AND ITS SUBS

CONSOLIDATED BALANCE

(with comparative figu

ASSETS

	<u>1966</u>	<u>1965</u>
Current:		
Cash	\$ 92,574	\$ 122,304
Short-term investments — at cost which approximates market value	273,559	260,000
Accounts receivable — trade, less allowance for doubtful accounts (note 1)	2,364,602	2,322,846
Inventories valued at the lower of cost or market (note 1)	5,436,156	6,036,051
Prepaid expenses	50,811	34,641
	8,217,702	8,775,842
Investments:		
Investments in and advances to affiliated companies at cost less amounts written off	26,175	55,730
Mortgages receivable due 1968-1974	86,750	112,500
Govt. of Canada bonds at cost (note 1)	195,800	199,700
	308,725	367,930
Fixed, at cost:		
Buildings, machinery and equipment	4,769,327	4,061,397
Less accumulated depreciation	2,296,348	2,057,757
	2,472,979	2,003,640
Land	283,650	242,188
	2,756,629	2,245,828
Other:		
Processes, trademarks, etc., at cost less amounts written off	25,560	25,560
Goodwill, at cost (including excess of cost of subsidiaries over their net book value at date of acquisition)	137,583	137,583
	163,143	163,143
	\$11,446,199	\$11,552,743

See accompanying notes to t

NY, LIMITED

laws of Canada)

Y COMPANIES

ET — DECEMBER 31, 1966

(at December 31, 1965)

LIABILITIES

018,940

Current:

	<u>1966</u>	<u>1965</u>
Bank loans and overdrafts (secured — note 1)	\$ 2,492,014	\$ 3,027,517
Accounts payable and accrued charges	2,020,555	1,910,371
Income and other taxes payable	270,678	325,526
	<hr/> 4,783,247	<hr/> 5,263,414

Shareholders' equity:

Capital (note 2) —

Authorized:

1,600,793 non-cumulative, redeemable
1% preferred shares with a par
value of \$1 each

900,000 common shares of no par value

Issued:

137,640 preferred shares	137,640	275,256
605,035 common shares	168,737	168,737
	<hr/> 306,377	<hr/> 443,993
Retained earnings	6,356,575	5,845,336
	<hr/> 6,662,952	<hr/> 6,289,329

On behalf of the Board:

- A. W. Baillie, Director
- B. B. Green, Director

\$11,446,199 \$11,552,743

BOWES COMPANY, LIMITED
and its subsidiary companies

STATEMENT OF CONSOLIDATED SOURCE AND APPLICATION OF FUNDS

for the year ended December 31, 1966
(with comparative figures for 1965)

	<u>1966</u>	<u>1965</u>
Funds were provided from:		
Operations —		
Consolidated net profit for the year	\$ 653,805	\$ 642,810
Add amounts charged against income but which do not involve an outlay of funds:		
Depreciation	294,573	257,671
Sundry	10,020	10,020
	294,573	267,691
	948,378	910,501
Special dividend from affiliated company	40,320	
Repayment of advances previously made to an affiliated company	29,555	93,748
Mortgage payments received	24,000	24,000
Sale of investments (net of purchases)	5,650	
	1,047,903	1,028,249
Funds were applied to:		
Purchase of fixed assets (net of proceeds on disposals)	805,374	386,020
Purchase of investments (net of sales)	1,100	
Redemption of preferred shares	137,616	68,779
Dividends paid	182,886	184,263
Premium and tax paid on redemption of preferred shares held by minority shareholders of a subsidiary company	393	
	1,125,876	640,555
Increase (decrease) in working capital	(77,973)	387,694
Working capital at beginning of year	3,512,428	3,124,734
Working capital at end of year	\$ 3,434,455	\$ 3,512,428
Represented by:		
Current assets	\$ 8,217,702	\$ 8,775,842
Less current liabilities	4,783,247	5,263,414
	\$ 3,434,455	\$ 3,512,428

BOWES COMPANY, LIMITED

NOTES TO THE CONSOLIDATED
FINANCIAL STATEMENTS

December 31, 1966

1. ACCOUNTS RECEIVABLE, INVENTORIES
AND INVESTMENTS

The accounts receivable and inventories of the parent company and certain subsidiary companies, together with the Government of Canada bonds, have been pledged as security against the bank indebtedness.

2. CAPITAL STOCK

137,616 preferred shares were redeemed at par during the year. A corresponding portion of retained earnings, in the amount of \$137,616, has been designated as capital surplus as required by the Canada Corporations Act.

3. CONTINGENT LIABILITIES

The companies are contingently liable in the following amounts: letters of credit outstanding \$640,514; guarantees of bank advances to an affiliated company up to \$1,000,000; guarantees of mortgages of \$386,000 on property occupied by affiliated companies.

AUDITORS' REPORT

*To the Shareholders of
Bowes Company, Limited:*

We have examined the consolidated balance sheet of Bowes Company, Limited and its subsidiary companies as at December 31, 1966 and the statements of consolidated income, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances. We have relied on the report of Glendinning, Jarrett, Gould & Co. who have examined the financial statements of a major subsidiary of which we are not the auditors and the assets of which represent approximately 25 per cent of consolidated assets.

In our opinion, the aforementioned consolidated financial statements present fairly the financial position of the companies at December 31, 1966 and the results of their operations and the source and application of their funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
March 31, 1967.

CLARKSON, GORDON & CO.
Chartered Accountants

BOWES COMPANY, LIMITED and subsidiary companies

FIVE YEAR FINANCIAL RECORD

	1966	1965	1964	1963	1962
OPERATIONS					
Sales and Commissions Earned ¹	\$23,861,905	\$23,825,000			
NET PROFIT FOR THE YEAR	\$ 653,805	\$ 642,810	\$ 659,265	\$ 632,805	\$ 480,919
Per Share ²	\$ 1.08	\$ 1.06	\$ 1.08	\$ 1.04	\$.79
NET CASH FLOW	\$ 948,878	\$ 910,501	\$ 890,316	\$ 846,767	\$ 673,641
Per Share	\$ 1.57	\$ 1.50	\$ 1.47	\$ 1.40	\$ 1.11
DIVIDENDS PAID					
Common Shares	\$ 181,510	\$ 181,510	\$ 181,510	\$ 180,010	\$ 175,234
Per Share	\$.30	\$.30	\$.30	\$.30	\$.30
REDEMPTION OF PREFERRED SHARES	\$ 137,616	\$ 68,779	\$ 60,680	\$ 44,940	
EQUITY CAPITAL INVESTED					
Working Capital	\$ 3,434,455	\$ 3,512,428	\$ 3,124,734	\$ 2,475,788	\$ 2,243,567
Fixed Assets — Net	2,756,629	2,245,828	2,117,479	2,394,700	2,127,586
Goodwill and Trade Marks	163,143	163,143	163,143	163,143	65,304
Investments	308,725	367,930	494,598	453,235	587,055
TOTAL NET ASSETS	\$ 6,662,952	\$ 6,289,329	\$ 5,899,954	\$ 5,486,866	\$ 5,023,512
Less: Preferred Shares	137,640	275,256	344,035	404,715	449,655
TOTAL SHAREHOLDERS EQUITY	\$ 6,525,312	\$ 6,014,073	\$ 5,555,919	\$ 5,082,151	\$ 4,573,857
Per Share	\$ 10.78	\$ 9.94	\$ 9.18	\$ 8.40	\$ 7.56

1. The comparative sales figures are not shown prior to 1965 as sales records did not segregate intercompany sales in those years.

2. Per Share figures are adjusted to reflect five-for-one split effective May 7, 1965.

